From:	Stan Sokolowski <ssokolowski@cifc.com>
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CC:	
Date:	Fri, 2/5/2016 8:01:51 PM
Subject:	Daily Update

Quote of the Day

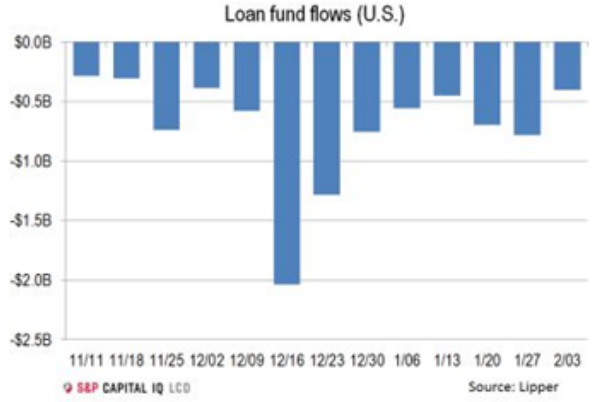
"Look for underlying simplicities in complex situations." – Albert Einstein (I think)

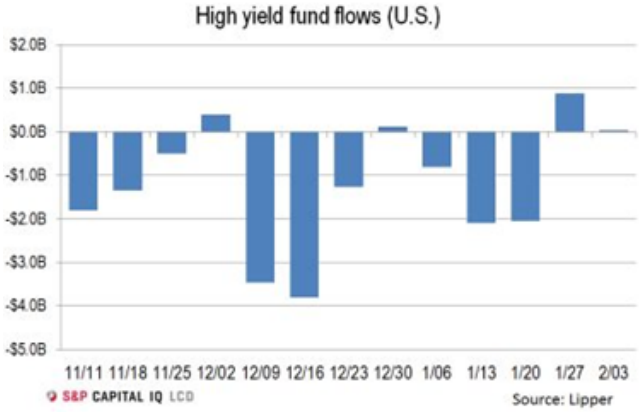
- Risk is hanging out while investors wait for the US jobs number this morning. Data crossing now. Recession aroma is becoming stronger….. Yesterday was another day of slop as the S&P swung between gains and loses 21 times (closing basically flat). Currency moves are increasingly a focus of investors. The dollar is down 3.1% this week (the worst performance since 2009) but is reversing for some reason again post the employment number. Interestingly, oil was down 1.73% yesterday in the face of a weaker dollar. Somebody is getting hurt badly (Quants?). On the earnings front, 78% of reports so far have beat earnings however only 46% of beat on revenues (the beat goes on…). Observation of the day: a few weeks back investors were discussing how many rate increases the Fed would make this year. Now, investors are talking about none and the possibility of cuts!..... Futures: -10. 10 year: 1.87%

- Data: Jobs: 151k (vs. 190k exp) with a large downward revision to the previous month. The unemployment rate went down to 4.9% (vs. 5.0% exp). Wages are seeing upward pressure too…

- Credit: It was another flat day in loans although there was some specific axed buying. Same today. Paper is moving and the transfer mechanism is working but 90% of the market is trading on a riskless basis... IG and HY are a bit weaker today. The IG index also finished weaker yesterday as a couple large investment grade issuers reported earnings and missed. There is also a rumor of another credit hedge fund putting down the gate.

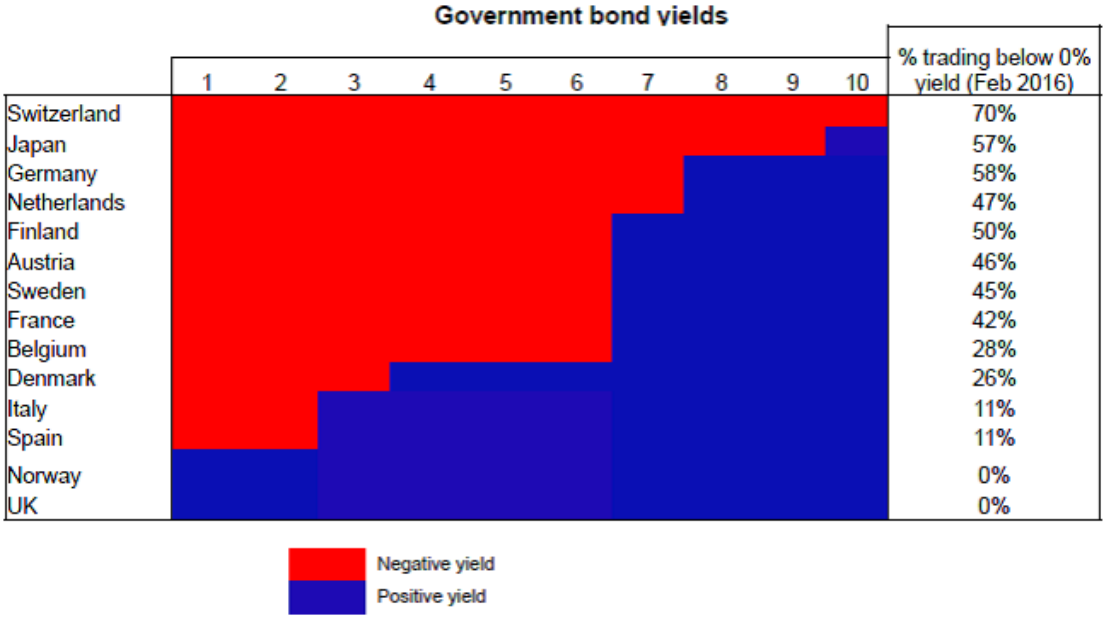
28 straight weeks
(the media doesn't mention that 85 week inflow streak that occurred between 8/2012 to 4/2014)



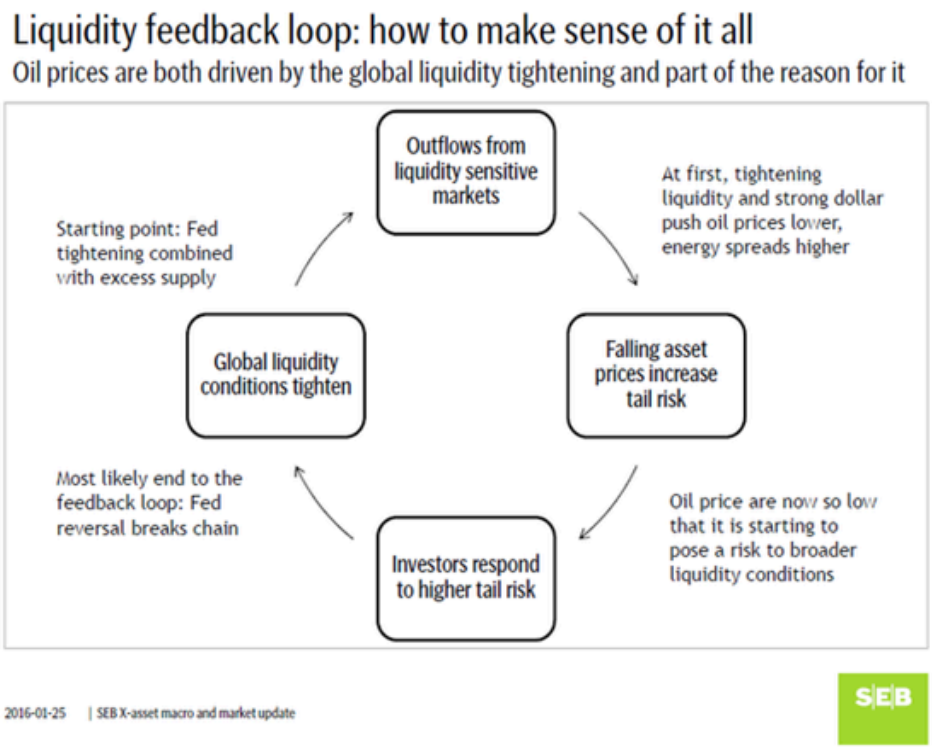


- Charts of the day:

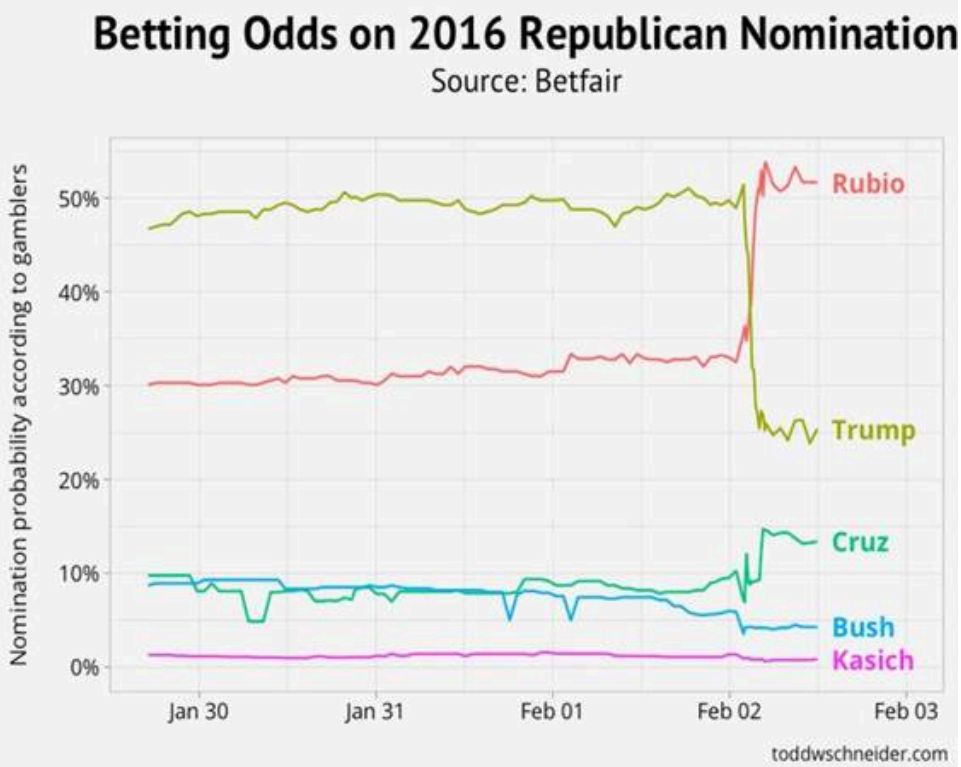
Getting harder and harder for fixed income investors



Source: Bloomberg Finance LP, DB Global Markets Research


Liquidity feedback loop: how to make sense of it all
Oil prices are both driven by the global liquidity tightening and part of the reason for it
Outflows from liquidity sensitive markets
At first, tightening liquidity and strong dollar push oil prices lower, energy spreads higher
Falling asset prices increase tail risk
Oil price are now so low that it is starting to pose a risk to broader liquidity conditions
Investors respond to higher tail risk
Most likely end to the feedback loop: Fed reversal breaks chain
Global liquidity conditions tighten
Starting point: Fed tightening combined with excess supply
2016-01-25 | SEB X-asset macro and market update
SEB

- Other:
  - CDS is back?!?!?! http://www.ft.com/intl/cms/s/0/c47dce8e-ca9f-11e5-be0b-b7ece4e953a0.html?siteedition=intl&ftcamp=published_links%2Frss%2Fmarkets%2Ffeed%2F%2Fproduct#axzz3zJ0XZThT
  - How Much Global Oil Output Halted Due to Low Prices? Just 0.1% http://www.bloomberg.com/news/articles/2016-02-05/how-much-global-oil-output-halted-due-to-low-prices-just-0-1
  - The circle of life…. http://www.wsj.com/articles/the-hottest-idea-in-finance-capital-controls-are-good-1454581800
  - If there is a recession, this is how it will happen…. http://www.nytimes.com/2016/02/05/upshot/if-there-is-a-recession-in-2016-this-is-how-it-will-happen.html?smprod=nytcore-iphone&smid=nytcore-iphone-share&_r=0
  - I'm speechless http://www.politico.com/agenda/story/2016/02/obama-oil-tax-budget-000038
  - Somebody knows something...=>



- HY: 98 5/8 (-1/8)
- IG: 111 (+1 5/8)
- CSLLI: -0.7% mtd / -0.79% ytd

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